



Real Estate Appraisers Consider Requiring Home Inspections for All Appraisals

Appraisers may recommend that a professional home inspection be prepared for all the properties they appraise, to avoid liability under the new HUD rule. HUD's new Homebuyer Protection Plan (see p. 12 for related article) has raised considerable controversy among appraisers and appraiser organizations. The plan places new requirements on appraisers for FHA loans including a requirement to disclose any property defects and to seek to uncover potential problems in a home they are appraising.

The HUD announcement specifically suggested that appraisers should "turn on the heat and air-conditioning to see if they work, see if plumbing fixtures and electrical outlets are operating and note any visible evidence of problems with a home's roof, water supply and septic system." This is far beyond the typical real estate appraiser's role.

Many feel these requirements are beyond the traditional role of the real estate appraiser, and will create extensive liability for the appraiser. HUD also has proposed "steep fines" and potential prison sentences in

extreme cases for appraisers who do not comply with these regulations.

No one doubts there is a need for a thorough inspection of residential properties to avoid the problems pointed out by the HUD plan, but this type of inspection has not traditionally been performed by the real estate appraiser.

Observers point out that the appraiser may respond by recommending a home inspection in every transaction, which apparently was not the intent of the HUD program. By recommending a home inspection, the appraisers feel they will be relieved of much of the liability and problems involved in inspection of residential property.

There's no doubt there is a need for a professional home inspection with the sale of every residence, and property inspectors have been specially trained to provide this service. Many feel that this move will go a long way to advance the home inspection field and the number of professional inspectors.

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New Appraiser Board Member Appointed

Governor Leavitt has appointed Thomas C. Anderson, Salt Lake City, as the newest member to the Utah Appraiser Registration and Certification Board. Anderson is currently employed by the Salt Lake County Assessor's Office as a Real Property Appraiser and is a Utah State Registered Appraiser.

Tom graduated from Utah State University with a BA in Economics with a strong emphasis in Government Administration, History and Political Science. He fills the vacancy left by James Fauver. The remainder of the Board consists of Jerry R. Webber, chair; Dottie Burnham, vice-chair and public member; Brad M. Lindley; Michael Christensen; Ervin R. Holmes, public member; Lonny J. Stillman, representative from the Department of Financial Institutions.

The Board members work only in concert with each other, so licensees should not contact individual members to express a personal grievance or ask for an opinion on a personal matter. Other than that, licensees should be acquainted with the leaders of their profession who make decisions on their behalf.

The Double Contract Rears its Head Again

by Ted Boyer, Division Director

The Division is once again receiving numerous complaints about the use of double contracts in real estate transactions. Perhaps it is a reflection of market conditions or perhaps this old device has been rediscovered.

In classic double contracting, two separate REPC's or purchase agreements are used for a single transaction. One REPC is disclosed to the lender and the other, which contains the actual terms of the transaction, is kept secretly between the buyer and seller. Sometimes the second contract is in the form of a side agreement or addendum to the REPC which is concealed from the lender.

The purpose of the scheme is usually to trick the lender into loaning 100% or more of the purchase price. Using an inflated appraisal, the buyer offers to purchase the property for more than the list price. The inflated offer typically shows a down payment which does not exist or which is refunded to the buyer immediately after closing. The buyer then obtains financing for 80% or 90% of the inflated price, which is in reality, 100% or more of the actual purchase. The Seller ends up with the original sales price paid from the buyer's loan proceeds, the buyer ends up with the property without putting any money down, the appraiser receives a fee for the inflated appraisal, and the lender ends up with a 100% loan to value (or greater) loan to a buyer who has invested nothing and has perpetrated a fraud.

We are now seeing interesting variations on this age-old scheme. For example, an offer is presented at more than the list price with the seller to carry back a portion of the sales price as seller financing, secured by a second deed of trust. In a separate agreement, the seller agrees to forgive the second trust deed and deliver a reconveyance after closing without ever being recorded.

Another even more diabolical variation goes like this. An offer is made at more than asking price with a sizable down payment (say 25%)

to be made in the form of tradable securities or other valuable personal property. The buyer retains an option to repurchase the securities or personal property after closing for a nominal amount, leaving the lender with a 100% or more loan to value.

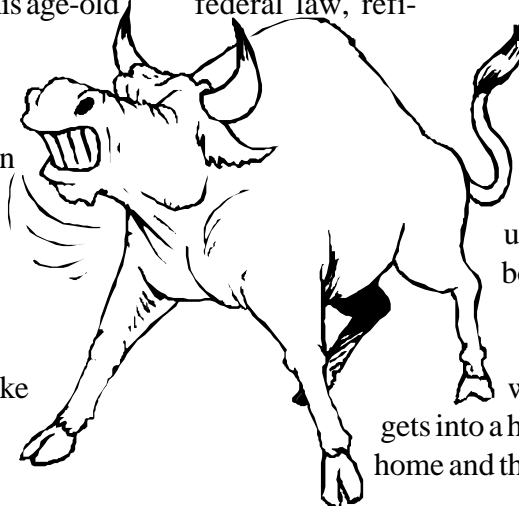
We have seen another variation which I call the "sweatless equity" program. The so-called "sweat equity" is shown as a credit on the offer and on the closing statement but the labor is not contributed until after closing, if it is provided at all, again resulting in a 100% or greater loan to value.

Did I forget to mention that all of the loan fees and closing costs are built into the loan amount?

Occasionally a purchase money mortgage is characterized as a refinance or a "purchase/refinance" to avoid payment of private mortgage insurance or to avoid other restrictions. A complicit lender, usually a mortgage broker rather than a financial institution, initiates a loan application prior to closing in the name of the seller and buyer. When the loan closes, the seller mysteriously does not appear on any of the loan documents. The loan is then sold in the secondary market to an unsuspecting purchaser who thinks he has purchased the refinance of a seasoned performing loan with a credit-worthy borrower and the lender has required no private mortgage insurance. The problem with this scenario is that it is fraudulent and misleading. In common usage and under federal law, refi-

nancing means a transaction in which an existing obligation that was subject to a secured lien on residential real property is satisfied and replaced by a new obligation undertaken by the same borrower.

One might ask, "What is wrong with that?" The buyer gets into a home, the seller has sold his home and the real estate agent, appraiser



and mortgage broker all earn fees. Well, there are numerous problems and there is plenty of blame to go around.

The appraiser who has prepared the inflated appraisal has undoubtedly violated the Uniform Standards Of Professional Appraisal Practice ("USPAP") which govern appraisal work in Utah and throughout the United States, thus placing his or her license in jeopardy.

The agent or broker who suggests or utilizes these schemes is, at a minimum, in violation of Rule R162-6-1 which prohibits the use of double contracts; is in breach of fiduciary duties under Rule R162-6.2; and is in violation of Utah Code § 61-2-11 for making a substantial misrepresentation, for making false promises, for being unworthy or incompetent and for being unprofessional. The actions of the agent or broker could also be the basis for a claim for civil damages.

Let us turn for a moment to federal law. While the Division does not enforce federal law, a brief review is instructive. First, the word "lender" means the person or entity who is actually providing the funding for the loan transaction. In the above situations this is usually the purchaser of the loan immediately after or simultaneously with the closing. It is this purchaser of the loan who has been deceived and who stands to lose on a loan that should never have been made. It is also possible the buyer may suffer financially if a job is lost or buyer is transferred and cannot sell the property for a high enough price to cover the 100% or greater mortgage, closing costs and commissions. If the loan becomes a federally related transaction by being sold to an insured institution or by other means, federal law applies.

The Real Estate Settlement Procedures Act requires that all material terms be disclosed. There can be no side deals in a federally related transaction. Furthermore, whoever makes any false statement or report or willfully overvalues any land property or security for the purpose of influencing in any way the action of a federal agency or a federally insured institution such as the FDIC, the Office of Thrift Supervision, the Resolution Trust Corporation, etc. is subject to a fine of not more than \$1,000,000.00 or a sentence of thirty years in prison, or both. This is serious business. (See 18 United States Code §§ 1007-1014). For your information, we have been informed that the Federal Bureau of Investigation has assigned two special agents to investigate loan fraud in the State of Utah.

The old adage about a transaction which looks too good to be true usually is too good to be true is still good advice. Let's be honest and straightforward in our business dealings and in the way we treat our clients.

**"When you get into
a tight place and
everything goes
against you, 'til it
seems as though you
could not hold on a
minute longer, never
give up then, for
that is just the place
and time that the
tide will turn."
--Harriet Beecher
Stowe**



Utah Real Estate Appraiser Review

Purpose: To provide licensees with the information and education they need to be successful in competently serving the public

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Real Estate Agency Fined \$11,000 for Violation of Lead Paint Rules

Allegedly failing to comply with the EPA lead based paint regulations, resulted in an \$11,000 fine against an Oklahoma real estate agency. According to an EPA news release, the real estate agency was fined a civil penalty for violation of the Real Estate Notification and Disclosure Rule under the Toxic Substance Control Act.

The regulation requires sellers and lessors of rental property to provide purchasers and tenants with an EPA approved lead hazard information booklet for all properties constructed before 1978. They also must provide a ten day period to allow the parties to inspect the housing for the presence of lead hazards. In addition, the sales contract and leasing agreement must include specific language regarding notification and disclosure of lead based paint.

The real estate agency was charged after it was discovered that they allegedly failed to provide the required

notification in a house that was leased to a mother with a young child.

Although the regulation became effective in September 1996 this is one of the first actions against violators since the effective date of the regulation.

EPA also reported that among those fined was the Kingsville Naval Air Station in Kingsville, TX, which was charged with a \$408,375 fine. This is apparently the first penalty issued to a Federal facility for violating the lead disclosure rule, and is the largest assessed penalty for violating the lead disclosure rules.

A total of a half-million dollars in civil fines have been served involving 20 notices of non compliance according to EPA.

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remember



***You Must Notify the Division
Within 10 Days in Writing of--***

a change of personal address;
a change of business address;
a change of name;
a change of personal or business
telephone number

Greetings From Thomas Anderson

Newest Board Member

I am pleased to serve as the newest member of the Appraiser Registration and Certification Board. It is a position whose responsibilities I take very seriously, and I pledge to perform my duties with integrity. I shall always try to make decisions which will best serve the public interest.

I have found my fellow Board members to be extremely competent and conscientious, and I look forward to continuing to work with them on a positive basis. I am confident that we can keep the Utah appraisal industry in compliance with FIRREA and can maintain high standards of ethics for appraisal professionals.

1999 USPAP Has Significant Revisions

USPAP has changed. If appraisers don't make significant revisions in their development and reporting of appraisals, they will not be in compliance with USPAP on the changeover date of March 31, 1999. This article is only an overview. Taking a USPAP update course is the only way to be certain you will be in compliance.

The first area of notable change begins in the Ethics "Rule" (all of the "Provisions" are now called "Rules") with wording changes for clarifications in conduct, management, confidentiality, and record keeping.

A significant change is the Departure Rule. The path to understanding departure is clearer, and two new terms, "applicable" and "necessary," have been added to the "market expectations" and "peers actions" criteria from Advisory Opinions 15, to make the departure decision easier to make.

There are new definitions, while others are revised. Most are to support and clarify changes elsewhere. Great emphasis has been placed on the "Scope of Work" in multiple areas of USPAP. The term is in the Departure Rule, but it is most relevant to daily appraisal work. It is in a new item on each of the reporting options that requires a summary of the scope of the work used to develop the appraisal.

Standard 1 has Binding Requirements and Specific Requirements

similar in principle to the previous structure, but new emphasis is placed on Extraordinary Assumptions and Hypothetical Conditions. Appraisers will need to understand both terms and their differences. Many daily appraisal activities such as drive-bys and plans and specs will require special addressing.

The changes to Standard 2 include new items and reworking of the old to be in compliance with changes made elsewhere. Highest and Best Use will now require significantly more information and explanation. New information on sources, scope and the inclusion of use and user from Statement 9 are now on the required twelve items in a report. There are also wording changes to the Certification which unfortunately will require software changes.

Standard 3 has changes to bring it into conformity with other revisions. There is an important clarification between appraising and reviewing. It also now addresses use and user, as well as scope.

Standards 4 through 10 will be revised using a "working group concept." Appraiser groups will study the standards and provide input to the ASB to aid in the revisions and possibly even some deletions.

Statements and Advisory Opinions remain. They contain changes to keep them in conformity with the rest of USPAP.

This article only skims the surface of the changes; there are many more, and those discussed herein have far greater depth. You will need to schedule yourself for an update class soon. There are 85,000 licensed/certified appraisers in this country who need to be up to speed on USPAP before March 31, 1999.

Thanks to Steven W. Vehmeier, MSA, and *The Master Appraiser*, Vol. XVI No. 12, Dec 1998 from which part of this article is taken

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Proposed Rules Changes

The Utah Appraiser Registration and Certification Board has recently approved some proposed rules changes. All changes are published in this newsletter for your review. You may wish to then give the Board any input regarding the changes.

There will be no public hearing, but if you wish to give input on any of the following rules changes, please send your comments by January 31, 1999 *in writing* to Karen Post, Utah Division of Real Estate, PO Box 146711, Salt Lake City, UT 84114-6711

R162-102-3. Renewal.

102.3.1 At least 30 days before expiration, a renewal notice shall be sent by the Division to the registered, senior appraiser or certified appraiser at the mailing address shown on the Division records. The licensee must return the completed renewal notice and the applicable renewal fee to the Division on or before the expiration shown on the notice.

102.3.1.1 ~~[The Certified Residential and Certified General]~~ The registered, senior appraiser or certified appraiser[s] must return proof of completion of ~~[20]~~ 28 hours of continuing education taken during the preceding two years. ~~[After January 1, 1998, all Utah appraiser licensees must return proof of completion of 28 hours of continuing education taken during the preceding two years.]~~

102.3.1.1.1 Even though the appraiser may have changed licensing categories, ~~[E]~~ every third time the appraiser renews, the appraiser will provide evidence of having completed, within the two years prior to the third renewal, a course in the Uniform Standards of Professional Appraisal Practice. This USPAP course will be a 15-hour course and will include passing of a final exam. ~~[The USPAP course will also include an additional 1-1/2 hours of Utah state law. This 16-1/2 hours of credit may be used to meet part of the continuing education requirement for that renewal period.]~~ The appraiser must obtain and study the Utah Real Estate Appraiser

Registration and Certification Act and the rules promulgated thereunder and must sign an attestation that he understands and will abide by them.

102.3.2 If the renewal fee and documentation are not received within the prescribed time period, the license shall expire.

102.3.2.1 A license may be renewed for a period of 30 days after the expiration date upon payment of a late fee in addition to the requirements of 102.3.1.

102.3.2.2 After this 30-day period and until six months after the expiration date, the license may be reinstated upon payment of a reinstatement fee in addition to the requirements of 102.3.1. It shall be grounds for disciplinary sanction if, after the license has expired, the individual continues to perform work for which a license is required.

102.3.2.3 A person who does not renew his license within six months after the expiration date shall be relicensed as prescribed for an original application. The applicant will receive credit for previously credited prelicensing education, but the senior appraiser and registered appraiser applicant will need to complete a current course in the USPAP. The certified appraiser will need to complete a USPAP course and also retake the prelicensing exam.

102.3.3 If the Division has received renewal documents in a timely manner but the information is incomplete, the appraiser shall be extended a 15-day grace period to complete the application.

R162-103-3 Prelicense Course Certification

~~[103.3.6 Methods of instruction other than lecture method, including a slide presentation, cassette, videotape, movie, or other method, may be used, providing that absent special approval from the Division:~~

~~103.3.6.1 These methods of instruction will be limited to a total of 50% of the class time~~

~~103.3.6.2 These methods of instruction will have an accompanying workbook for the student to~~

complete during the viewing time;

103.3.6.3 These methods of instruction will have a certified instructor available to answer questions after the presentation.

103.3.[7]6 Distance[~~learning~~] education is defined as any educational process based on the geographical separation of [provider] instructor and student (e.g., CDROM, On-line learning, correspondence courses, video conferencing, etc.). Distance [learning] education courses must provide interaction between the learner and instructor and must include testing. A distance [learning] education course may be acceptable to meet the classroom hour requirement or its equivalent providing each course meets the following conditions:

103.3.[7]6.1 The course (a) has been presented by an accredited college or university which offers [~~correspondence and distance learning~~] distance education programs in other disciplines[;] and where [A] accreditation [~~shall be~~] has been made by the Commission on Colleges or a regional accreditation association[;]; or (b) has received approval for college credit by the American Council on Education's Program on Non-collegiate Sponsored Instruction, also known as PONSI, or has been approved under the AQB Course Approval Program.

(a) The learner must successfully complete a written examination personally [administered] proctored by an official approved by the college or university[;] or by the presenting entity; and

(b) The course must meet[s] the requirements established by the Appraiser Qualifications Board and [is] be equivalent to the minimum of 15 classroom hours. [~~or~~]

[~~103.3.7.2 Distance learning courses offered by other than a college or university may be acceptable to meet the classroom hour requirement providing the course has received the American Council on Education's Program on Non-collegiate Sponsored Instruction, also known as PONSI, approval for college credit.~~]

103.3.7.3 The content and length of the course must meet the requirements established by the Appraiser Qualifications Board.

103.3.7.4 The learner must successfully complete

a written examination personally administered by an official approved by the course provider.]

R162-103-4 Education Credit for Noncertified Prelicensing Courses

103.4.3 Credit will not be given for duplicate or highly comparable classes [~~taken from different course providers~~]. Each course should represent a progression in which the appraiser's knowledge is increased.

103.4.4 [~~Credit will be given for appraisal classes taken only within ten years immediately preceding the registration or certification application.~~] There is no time limit regarding when education credit must have been obtained.

103.4.[4.1] 5 Hourly credit for a course taken from a professional appraisal organization will be granted based upon the Division approved list which verifies hours for these courses.

R162-103-7. Continuing Education Course Certification.

103.7 To renew an appraiser license, the appraiser will complete the equivalent of [20] 28 classroom hours of appraisal education during the two-year term preceding renewal. [~~After January 1, 1998, all appraiser licensees will complete the equivalent of 28 classroom hours of appraisal education during the two-year term preceding renewal.~~] The continuing education requirement is for the purpose of maintaining and increasing the appraiser's skill, knowledge and competency in real estate appraising.

103.7.2 Real estate appraisal related field trips are acceptable for continuing education credit; however, transit time to or from the field trip location should not be included when awarding credit if instruction does not occur.

103.7.3 Credit awarded for the continuing education requirement may also be awarded for the classroom hour requirement when an individual seeks a different classification than that held, providing the educational offering meets the criteria established (i.e., minimum length of 15 hours and successful completion of an examination.)

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Rules Changes

continued from page 7

103.7.4 Alternative Continuing Education Credit - continuing education credit may be granted for participation, other than as a student, in appraisal education processes and programs.

103.7.[2]4.1 Credit may be granted on a case by case basis for teaching, program development, authorship of textbooks, or similar activities which are determined by the Board to be equivalent to obtaining continuing education.

102.7.[2]4.2 The Education Review Committee will review claims of equivalent education and also alternative continuing education proposed to be used for continuing education purposes.

Did You Know?

There have been many questions about whether environmental classes could count for continuing education credit. The Utah Appraiser Board has determined that, among other reasons, inasmuch as environmental classes are not listed as a subject that has been approved by the Appraisal Qualifications Board for continuing education credit, they should not count. You may attend the classes, but do not submit them for CE credit.

Are We Ready for Pay Per View Appraisals on the Internet?

A comprehensive national database of appraisal information may well be available on the Internet by next year. The Appraisal Institute (AI) recently notified their members that they have reached an agreement with FNC, Inc. to provide a nationwide database to provide information to home-buyers, sellers mortgage lenders and real estate brokers and others who need this information.

The new venture will essentially hook up thousands of appraisers and their in-house property files with the Internet via the Internet technology created by FNC, Inc. The Web site will allow you to check residential data placed there by cooperating appraisers.

The cost is estimated between \$5 and \$10 per report, with the payment being made by credit card. Mortgage lenders and large users of the data could have quantity contracts. The appraisers who contribute to the database will receive compensation every time their information is accessed. The Appraisal Institute indicated that all appraisers will have access to the database, but that its members will receive a higher percentage of the fees than non-members, for each access to the database.

Appraisers have been sharing information electronically for some time with other appraisers using regional real estate information

firms. But little of that information is available to the public and the information has traditionally been limited to only certain appraisers.

The system will provide the information found on the front page of the URAR report. This page includes the legal description, tax information, a description of the neighborhood, price ranges of other homes and rental properties. Other important information is found on this page including square footage, lot size, utilities and others. Such information will allow parties to search for comparable properties.

Appraisers have voiced concerns over the legality of providing this data to everyone on the Internet and if appraisers really own the data on the front page of the URAR. Does the appraiser need to have the permission of the owner of the property to place the information regarding their residence on the Internet, will be the question.

EXAMINATION STATISTICS

1998	CR Tested	CR Passed	CG Tested	CG Passed
January	9	6	1	1
February	12	6	1	1
March	4	4	3	3
April	5	2	0	0
May	6	3	1	1
June	8	1	1	0
July	2	1	1	0
August	6	2	0	0
September	12	4	1	1
October	1	1	1	1
November	N/A	N/A	N/A	N/A
December	N/A	N/A	N/A	N/A

LICENSING STATISTICS

1998	SC	RA	CR	CG	Total
January	20	965	444	341	1770
February	20	972	449	341	1782
March	20	970	453	339	1782
April	20	990	459	340	1809
May	20	1001	462	341	1824
June	20	1039	461	341	1861
July	20				
August	20	1046	460	342	1868
September	20	1049	462	340	1871
October	20	1051	462	339	1872
November	20	1068	469	337	1894
December	20	1089	470	338	1917

SC = Senior Appraiser

RA = Registered Appraiser

CR = Certified Residential

CG = Certified General

The AI indicated in a recent newsletter, that FNMA has allowed disclosure of the front side of the URAR since the mid-1980's and that the USPAP does not prohibit the disclosure of appraisal data unless a client tells an appraiser the information is confidential. The Appraisal Standards Board has complicated the ownership question by declaring that the mortgage banker who asks for the appraisal is the client. The owner of the property, who is the subject of the data which is placed on the Internet in great detail, may have some legal recourse to its nationwide distribution without their permission.

The AI indicated that the Residential Database is more like a Multiple Listing Service except it will be more comprehensive. Appraisers have voiced serious concerns that the database will create competition for appraisers as consumers will use it as a complete appraisal of the property. The buyers and sellers of homes using this data could be a minor source of income, but mortgage lenders could very well use this information

instead of calling for a formal appraisal report.

Observers see some liability in the program for participants, should some of the information not be valid. The AI and FNC, Inc. are not claiming ownership of the data, only the technical interface. Appraisers who have contributed data to the program could be liable for any improper information placed on the Internet by them.

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"In the business world, everyone is paid in two coins: cash and experience. Take the experience first; the cash will come later."
-- Harold S. Geneen

Age Life Depreciation Errors

Depreciation can be a complex concept, particularly when considering the different types of depreciation and what each method measures. The “Age Life Method” is the most common form of depreciation used. Often the results using this method are incorrectly characterized as physical depreciation only. There is more to it than that.

One of the most authoritative sources of information on appraisal methodology, *The Appraisal of Real Estate*, published by the Appraisal Institute, states that the Age Life Method considers functional and external obsolescence as well as physical deterioration. The method does not distinguish between separate causes of depreciation accrued over time.

The two most common applications of the Age Life Method is the straight-line method and the

Marshall Valuation Service tables. Both require appraiser estimates of the economic life of the improvements and the effective age. In the straight-line method, the accrued depreciation from all causes is a fraction of the replacement cost new, where the numerator is the effective age and the denominator is the total economic life. Using Marshall Valuation Service tables, the appraiser need only read the table.

Review of the methodology used to derive Marshall Valuation Service depreciation tables reveals that actual experience information is gathered from appraisals and sales. The difference between the replacement cost new, including land value, and the actual sales price is the depreciation. With a series of these calculations made, the results are compared to the age and then a formula for the relationship can be derived using regression analysis.

This curve is then used to construct a depreciation table. Because the table derivation starts with actual observation, the result is a table which incorporates all forms of depreciation (physical, functional and economic). Because it uses norms, any excess deterioration, functional problems or external problems, the appraiser must supplement the use of the tables with additional work.

The Age Life Method of calculating depreciation incorporates all forms of depreciation. Labeling the result of using this method as physical depreciation only is misleading to the reader and is a violation of USPAP Standard Rule 2-1(a).

Used with permission from *The California Appraiser*, Vol. 10, No.1, Spring/Summer 1998



Update on UST Upgrade Requirements

December 22, 1998 is the date when regulated underground storage tank (UST) systems that are not upgraded or replaced to meet the new corrosion protection (tank and piping), spill prevention and overfill prevention requirements must be emptied of all product and closed.

Regulations finalized in 1998 allowed owners and operators 10 years to upgrade, replace, or close older UST systems. There are no exemptions to these regulations, and there will be no extensions to continue running substandard systems past this deadline.

Owners need to decide whether or not they really need a UST, or whether they can obtain the product some

other way. The upgrade cost for a typical three UST facility can range from \$30,000 to \$50,000. Replacement costs for a typical three UST facility can range from \$90,000 to \$150,000. Removal costs for a typical three UST facility can range from \$12,000 to \$25,000. These preceding costs do not take into account any corrective actions needed as a result of product release.

EPA and DEP are finalizing enforcement strategies, and plan to enforce the 1998 deadline. Enforcement actions will include penalties.

Taken in part from *the Professional Certification Board Agenda*, Fall Issue 1998, Vol. 9, No. 3



Disciplinary Sanctions

BRADSHAW, BROOKS, Registered Appraiser, Annabella, UT. License revoked by default effective November 17, 1998, based on misrepresentation, numerous USPAP violations, including violation of the ethics provision, failing to respond to the Division's request for information in response to a complaint and failing to produce data supporting his appraisals. Mr. Bradshaw valued a property in Santa Clara at \$613,000 in April, 1997 and did not disclose that the owners had acquired the home in December, 1996 for only \$335,000. He used sales data on properties which were not comparable in numerous instances. A November, 1997 report on a property in West Valley City was also erroneous, deficient or misleading in various respects. Among other violations, Mr. Bradshaw placed the name and license number of a State-Certified Appraiser on both appraisal reports without that appraiser's permission and although that appraiser did not sign, participate in, or otherwise review the reports. #AP97-08-08 and AP97-12-15.

CHRISTENSEN, J. STEWART, Registered Appraiser, Ogden, UT. Consented to pay a \$1,500.00 fine and have his license placed on probation for six months, based on signing a series of appraisal reports on a property with signature dates of February 27, 1996 and April 2, 1996 although he did not obtain his license until March 14, 1996, showing a certification number under his name, making numerous errors on the grid section of the reports, and denying to the Division that he had delivered a copy of the first report to the lender when he had in fact done so. Mr. Christensen maintains in mitigation that he did not perform the appraisal until after he was registered, and that the errors regarding the dates and the certification number were the result of starting with a previously-done appraisal on the computer and failing to catch all of the things that needed to be changed. #AP96-06-14.

EASTON, RICHARD E., Registered Appraiser, Magna, UT. Consented to pay a \$300.00 fine based on violation of USPAP by making a series of errors in an appraisal of a property in Delta, Utah which when considered in the aggregate would be misleading, by failing to have or acquire the necessary knowledge and experience, and by failing to verify data. Mr. Easton agreed to complete an assignment while he was on vacation in an area with which he was not familiar. In mitigation, Mr. Easton voluntarily completed a course on how to recognize manufactured housing and how to properly appraise it and voluntarily refunded the entire fee to the owner of the property although the company for which he worked had been paid and had retained the fee. #AP96-11-09.

HANSEN, JAMES D., State-Certified Residential Appraiser, Salt Lake City, UT. Consented to pay a \$500.00 fine and complete a 15-hour USPAP course based on making a series of unintentional errors in two appraisal reports which, when considered in the aggregate, made the appraisal reports misleading. #AP96-11-08.

HIGGS, GERALD B., State-Certified General Appraiser, Sandy, UT. After a formal hearing, Mr. Higgs' license was revoked effective October 6, 1998, based on lack of competency and negligent misrepresentations in an appraisal, violation of USPAP Standards, violation of Administrative Rules, and violation of the USPAP record keeping requirement. Mr. Higgs failed to correctly identify and locate the subject property, and thereby appraised the wrong property. He relied on unverified information provided by an employee of the client in locating the property appraised. The property was actually located in the Uinta National Forest and subject to land use regulations which would tend to diminish the value of the property. He made numerous errors in the appraisal report, including inaccurately indicating that the property was zoned for residential use, that it was on a certain highway directly across from an existing subdivision, that it had been platted into home sites, that it adjoined the National Forest which would preclude building east of the property, that a power line could be located entirely off the property, and that access to the property was good in all directions. He also failed to ascertain the highest and best use of the property, sign or place his seal on the certification page of the report, include the expiration date of his certification in the report, or to maintain a copy of the report. #AP96-05-18.

JACKSON, ROY, Registered Appraiser, North Salt Lake, UT. Consented to pay a \$400.00 fine and complete a USPAP course based on having made a series of errors and omissions in an appraisal report in violation of USPAP Standards Rule 1-1. #AP94-12-02.

The two words "information" and "communication" are often used interchangeably, but they signify quite different things. Information is giving out; communication is getting through."
--Sidney J. Harris

HUD's Homebuyer Protection Plan Reinvents FHA Appraisal Process

In an attempt to protect Federal Housing Administration (FHA) homebuyers against bad appraisals, Housing and Urban Development Secretary Andrew Cuomo proposes to radically change FHA's home appraisal process.

According to Cuomo, HUD is trying to establish a new level of consumer confidence in the homebuying process by answering two questions: "Is the house I want to buy worth the sale price? And is the house in good condition?" "The vast majority of FHA appraisals are accurate and have no problems," Cuomo said. "A bad appraisal can turn the American dream of homeownership into a nightmare by overvaluing a home and by overlooking problems that can cost homebuyers thousands of dollars to repair. Too often, this financial disaster forces hard-working families to default on their mortgages and lose their homes." HUD is calling this new appraisal system The Homebuyer Protection Plan.

The Homebuyer Protection Plan HUD is implementing to cover all homes purchased with FHA-insured mortgages will: 1) require a more thorough survey of the condition of the home to uncover potential problems, 2) require that defects found by appraisers be disclosed to potential buyers, 3) impose stricter accountability on appraisers and tougher sanctions on those who act improperly, 4) require an appraiser to recommend an inspection of a home if there are significant problems, and 5) allow HUD funds to be used for home inspections.

Appraisers will be required to prepare more thorough appraisals: they will need to describe problems; report health and safety problems; turn on the heat and air-conditioning to see if they work; check plumbing fixtures and electrical outlets; and note visible evidence of problems with the roof, water supply and septic system.

Disclosure of Home Defects to Potential Buyers:

The seller and lender need to be notified of major repairs before an FHA mortgage can be issued.

Stricter Accountability and Tougher Sanctions for Appraisers: Uniform national appraisal standards will impose new penalties---including civil and criminal fines and potential prison sentences under the federal False Claims Act---for appraisers who act improperly.

Recommendations of Needed Inspectors: Appraisers will be required to recommend to homebuyers a full inspection of a home they are considering purchasing if the appraiser finds significant problems.

By reinventing FHA's appraisal process, HUD will try to benefit 800,000 families who get Federal Housing Administration mortgages each year.

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Did you ever drive past a new home under construction and notice a tree branch sticking out of the rooftop? This custom comes from Northern Europe when most of it was still covered with dense forests. At that time, people honored the spirit of each tree and asked its permission before cutting it down. When a home or other shelter was built on the spot, a topmost branch from one of the trees would be placed in the roof so the tree spirits would have a place to live.

The "rooftree" or "topping off" custom was brought to America by European immigrants and is still practiced today. The placing of the tree branch is often accompanied by celebration. In some areas, a flag is substituted for the branch.